

**PRESTON
MINES
LIMITED**

ANNUAL REPORT 1973

Preston

MINES LIMITED

ANNUAL AND GENERAL MEETING

An Annual and General Meeting of the Shareholders of the Corporation will be held on Friday, May 3, 1974 at 11:00 a.m. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

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Annual Report 1973

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Preston Mines Limited

Officers

R. D. Armstrong
G. R. Albino
G. Baker
A. C. Turner
J. Van Netten

President
Vice-President
Vice-President
Secretary
Treasurer

Directors

G. R. Albino
R. D. Armstrong
G. Baker
J. I. Crookston
Dr. G. B. Langford

R. D. Lord
B. R. MacKenzie, Q.C.
W. C. Pitfield
R. W. Wright, C.B.E.

Head Office

120 Adelaide Street West, Toronto, Canada

Bankers

The Toronto-Dominion Bank

Toronto, Ontario

Auditors

Coopers & Lybrand, Chartered Accountants

Toronto, Ontario

Transfer Agents

Common Shares

Canada Permanent Trust Company

Toronto, Ontario

Canadian Bank of Commerce Trust Company

New York, N.Y.

Common Shares Listed

Toronto Stock Exchange

Toronto, Ontario

American Stock Exchange

New York, N.Y.

Directors' Report to the Shareholders:

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1973.

FINANCIAL

Net earnings for 1973 were \$22,871,685 representing \$2.91 per share as compared with \$6,883,336 or 88 cents per share in the previous year. The net earnings for both years are after including equity in net earnings of Rio Algom Mines Limited of \$22,696,496 and \$6,815,425 respectively, representing the Company's 43.91% share (43.94% in 1972) of the consolidated net earnings of that company.

Dividends received from Rio Algom Mines Limited were \$3,767,680 in 1973 and \$2,152,960 in 1972. Dividends paid by the Company during the year were \$3,846,173 or 49 cents per share comprising dividends of 14 cents and of 35 cents per share paid on June 29, 1973 and December 28, 1973 respectively. In 1972 dividends paid were \$2,197,813 or 28 cents per share.

INVESTMENT IN RIO ALGOM MINES LIMITED

No change has been made in the Company's investment in Rio Algom which remains at 5,382,400 common shares; this represents an interest of 43.91% of the issued common shares of that company. For your information and with the consent of Rio Algom the 1973 Annual Report of that company is forwarded to you with this report.

STANLEIGH PROPERTY

In 1970 it was reported that preliminary estimates of ore reserves, capital costs and operating costs indicated that uranium prices then available were too low to permit profitable operation of the Company's Stanleigh uranium property. It was therefore not expected that the mine would be reopened for some time. The long-term uranium market has strengthened dramatically in recent months and the viability of the Stanleigh ore reserves is currently being re-examined in the light of these changed market conditions.

Toronto, Canada
March 1, 1974

On behalf of the Board
R. D. Armstrong,
President

Auditors' Report

To the Shareholders of Preston Mines Limited:

We have examined the statement of financial position of Preston Mines Limited as at December 31, 1973, and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 22, 1974

COOPERS & LYBRAND
Chartered Accountants

Preston Mines Limited

(Incorporated under the laws of Ontario)

Statement of Financial Position December 31, 1973

CURRENT ASSETS:	1973	1972
Cash and short-term deposits	\$ 1,479,505	\$ 1,404,050
Accounts receivable	31,525	13,757
Accounts receivable from affiliated companies	19,573	12,283
	<u>1,530,603</u>	<u>1,430,090</u>
Less:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	9,347	5,521
Unclaimed dividends	137,983	137,992
	<u>147,330</u>	<u>143,513</u>
WORKING CAPITAL	1,383,273	1,286,577
Investment in Rio Algom Mines Limited		
5,382,400 common shares (note 1)	96,444,444	77,515,628
Debentures, at cost	477,500	477,500
Mining properties, less amortization (note 2)	2	2
Deferred development expenditure	592,860	592,860
EXCESS OF ASSETS OVER LIABILITIES	<u>\$98,898,079</u>	<u>\$79,872,567</u>
OWNERSHIP EVIDENCED BY:		
Capital stock —		
Authorized:		
1,069,925 4% cumulative, redeemable, non-voting preference shares with a par value of 50 cents each		
10,000,000 common shares without par value		
Issued:		
7,849,333 common shares	\$26,910,985	\$26,910,985
Contributed surplus	24,993,673	24,993,673
Retained earnings	46,993,421	27,967,909
	<u>\$98,898,079</u>	<u>\$79,872,567</u>

Approved on behalf of the Board:

J. IAN CROOKSTON, Director

R. D. ARMSTRONG, Director

Statement of Earnings and Retained Earnings

YEAR ENDED DECEMBER 31, 1973

EARNINGS

REVENUE:

	1973	1972
Proceeds from sales of plant and equipment	\$ 89,286	\$ 73,455
Less cost of reconditioning equipment sold	<u>27,208</u>	<u>7,802</u>
	62,078	65,653
Investment and other income	<u>215,781</u>	<u>116,224</u>
	<u>277,859</u>	<u>181,877</u>

EXPENSE:

Idle mine expense	40,707	52,826
Administrative and general expense	<u>61,963</u>	<u>61,140</u>
	102,670	113,966
Operating profit	175,189	67,911
Equity in net earnings of Rio Algom Mines Limited	<u>22,696,496</u>	<u>6,815,425</u>
NET EARNINGS FOR THE YEAR (note 3)	<u>\$22,871,685</u>	<u>\$ 6,883,336</u>
Earnings per common share		
-- Operating profit	\$.02	\$.01
-- Net earnings for the year	2.91	.88

RETAINED EARNINGS

BALANCE, beginning of year	\$27,967,909	\$23,282,386
Net earnings for the year	<u>22,871,685</u>	<u>6,883,336</u>
	50,839,594	30,165,722
Dividends paid on common shares	<u>3,846,173</u>	<u>2,197,813</u>
BALANCE, end of year	<u>\$46,993,421</u>	<u>\$27,967,909</u>

Statement of Changes in Financial Position

YEAR ENDED DECEMBER 31, 1973

SOURCE OF FUNDS:	<u>1973</u>	<u>1972</u>
Net earnings before equity in net earnings of Rio Algom Mines Limited	\$ 175,189	\$ 67,911
Dividends from Rio Algom Mines Limited	<u>3,767,680</u>	<u>2,152,960</u>
	<u>3,942,869</u>	<u>2,220,871</u>
 DISPOSITION OF FUNDS:		
Dividends on common shares	<u>3,846,173</u>	<u>2,197,813</u>
INCREASE IN WORKING CAPITAL	<u>96,696</u>	<u>23,058</u>
WORKING CAPITAL, beginning of year	<u>1,286,577</u>	<u>1,263,519</u>
WORKING CAPITAL, end of year	<u><u>\$1,383,273</u></u>	<u><u>\$1,286,577</u></u>

Notes to Financial Statements

DECEMBER 31, 1973

1. Investment in Rio Algom Mines Limited

The Company's investment in common shares of Rio Algom Mines Limited represents 43.91% (1972 – 43.94%) of the issued common shares of Rio Algom and is carried on the equity accounting basis. The cost of the Company's investment exceeded its equity in the net assets of Rio Algom at date of acquisition by \$11,221,004 and this excess has been written off to retained earnings.

2. Plant and equipment consists of:

	1973	1972
Buildings, machinery and equipment, at cost	\$ 9,900,933	\$10,110,389
Less accumulated depreciation	9,900,933	10,110,389
	<u>\$ —</u>	<u>\$ —</u>
Mining properties consist of:		
Mining properties, at cost	\$ 569,789	\$ 569,789
Less accumulated amortization	569,787	569,787
	<u>\$ 2</u>	<u>\$ 2</u>

3. Income and mining taxes

Because of the exemptions and deductions permitted for tax purposes, it is estimated that the Company has no liability for income or mining taxes for the year.

4. Remuneration of directors and senior officers

During the year ended December 31, 1973 the aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company was \$7,658.

Rio Algom

Rio Tinto

